

ORIGINAL

CIGARETTE DISPLAY AND MERCHANDISING AGREEMENT

This Cigarette Display and Merchandising Agreement (this "Agreement") is entered into as of the 1st day of December, 1994 (the "Effective Date"), between R.J. Reynolds Tobacco Company ("RJRT") and The Southland Corporation ("Southland").

1. General Program Description.

1.01 As more fully set forth in this Agreement, RJRT shall provide to Participating Stores (hereinafter defined) display and merchandising payments of \$250.00 per month if certain RJRT display and merchandising requirements, as set forth below, are met (the "Program").

2. Stores.

2.01 For purposes of this Agreement, all of Southland's corporate-owned and operated 7-Eleven convenience stores shall be deemed to be "Participating Stores" or "Stores." "Stores" shall not include, except to the extent section 2.02 below applies, any 7-Eleven convenience stores which are or hereafter may be operated by Southland's franchisees.

2.02 RJRT acknowledges that Southland's 7-Eleven franchisees are independent contractors who determine the manner and means of operating the 7-Eleven stores pursuant to the franchise agreement with Southland and arrangements relating thereto and as such determine the selection of products and services for the stores and the establishment of their retail prices and solely determine whether to participate in the Program. The terms "Participating Stores" or "Stores" shall include Southland's franchisees to the extent each such franchisee independently elects to participate in the Program.

3. Participation Agreement.

3.01 By executing this Agreement, Southland's corporate-owned and operated Stores shall participate in the Program. RJRT requires that each franchisee who independently elects to participate in the Program execute the Franchisee Participation Form attached to this Agreement as Exhibit A. Southland shall provide the franchisee with the RJRT Participation Form and shall also provide RJRT with copies of the executed Franchisee Participation Forms as they become available to Southland.

4. Participation List.

4.01 Southland shall furnish RJRT with a list of the corporate Stores participating in the Program as well as a list of stores operated by franchisees that may participate in the Program.

51855 1120

5. Program Display Requirements.

5.01 Participating Stores shall reserve for RJRT two permanent, full-price, self-service counter displays ("FPD"). Each FPD will have two trays. Each top tray will accommodate seven (7) cigarette/packs wide, having a total minimum capacity of thirty-five (35) cigarette packs. Each bottom tray will accommodate eight (8) cigarette/packs wide, having a total minimum capacity of forty (40) cigarette packs. Each FPD shall have an advertising header card holder above the top tray with minimum head card dimensions of 3 1/4 inches high and 18 3/8 inches long (or equivalent in square inches as approved by RJRT). Southland shall approve the FPD design prior to manufacture.

5.02 RJRT shall pay for the FPD's and the installation of the FPD's at each Store. RJRT shall use its best efforts to ensure that the FPD's are installed in Participating Stores on a timely basis.

5.03 RJRT acknowledges and agrees that the Program display requirements pursuant to section 5 of this Agreement and the Program merchandising requirements pursuant to section 6 of this Agreement shall apply only after the FPD's have been installed in the Store.

5.04 Title to the FPD's shall remain with RJRT. In RJRT's discretion, RJRT, at its sole cost and expense, shall replace FPD's in the Stores as required due to normal wear and tear. Replacement FPD's due to a Participating Store's intentional destruction or removal shall be at the Participating Store's expense. RJRT represents that the FPD's provided by RJRT shall have no effect on the cost of RJRT's products purchased by the Stores.

5.05 The FPD's are to be placed in a self-service position at the Store; one FPD directly in front of the cash register and one FPD wrapped to the customer side of the cash register (nearest the food service area), on the main selling counter, with only RJRT-selected advertising on the FPD's advertising header card. Placement of RJRT's FPD's in any location or configuration at the Store, other than above, shall require the express approval of RJRT.

5.06 RJRT shall also pay for and install an illuminated sign with a digital clock, approximate dimensions 15 inches high by 49 inches long ("Clock Sign"). Southland shall approve the Clock Sign design. The center panel of the Clock Sign (15" x 19") shall be for RJRT advertising exclusively. One of the outer panels of the Clock Sign may be used for a Southland trademark or logo and the other for advertisement of a product that does not compete with cigarettes. Southland shall supply

51855 1121

any graphics for the outer panel used for non-cigarette products. RJRT and Southland shall agree on the Store location for the Clock Sign which, where reasonably possible, shall be a highly visible area that is not obstructed by fixtures, other signage or displays. Southland shall supply the electrical wiring for the Clock Sign and RJRT shall pay for the electrical installation at no more than the actual cost. RJRT shall use its best efforts to ensure that the Clock Signs for Participating Stores are installed on a timely basis.

5.07 One-half (1/2) of all permanent displays and advertising shall be reserved and maintained for RJRT at the Store. For purposes of this Agreement, "Displays" shall be defined as any cigarette merchandising rack, or display, not including the overhead pack merchandiser ("OPM"). For purposes of this Agreement, "Advertising" shall be defined as materials that reference a cigarette manufacturer or cigarette brand. RJRT shall maintain its one-half (1/2) presence in a Store with respect to the number of permanent Displays placed in the Store, permanent facings on Displays, permanent Display capacity and Advertising placed in the Store, excluding one Philip Morris secondary advertising piece.

5.08 One-half (1/2) of other temporary, full-price brand Displays authorized or recommended by Southland shall be reserved and maintained for RJRT at the Store.

5.09 Permanent or temporary Displays and Advertising of "Savings Brands" shall not be allowed in the Store.

6. Program Merchandising Requirements.

6.01 The FPD's in the Store shall be stocked only with RJRT full-price products.

6.02 RJRT shall determine RJRT full-price brand selection for the FPD's based on account specific marketing (store demographics), along with new brand introduction needs and RJRT's national plan efforts. RJRT may elect to execute promotions for its full-price brands from either or both FPD's at its discretion. RJRT shall inform Southland and Participating Stores as to RJRT full-price brand selection rationale. Full-price brands selected by RJRT shall attain Southland recommended AIM sales hurdles after eight (8) weeks or RJRT shall replace the brands selected with alternative full-price brands, unless unique circumstances apply.*

6.03 The RJRT Clock Sign shall contain only the advertising as set forth in section 5.06.

6.04 Southland and Participating Stores shall not allow promotion, display (permanent or temporary) or advertising of savings brands at any time during the Program. The pricing information panel on the font of the OPM shall be the only communication of multiple price tiers and brands available in each price tier to the consumer.

6.05 Southland shall only recommend a third ("lowest") price tier only in a Store or group of Stores to meet competition within a specific marketplace.

6.06 RJRT shall have brand representation at each price tier at the Stores and RJRT's Doral brand shall be featured on the OPM pricing information panel in Stores with two tier pricing.

6.07 Where a third (lowest) price tier exists in a Store or group of Stores, RJRT's Doral brand shall be priced at parity with Southland's private label "Premium Buy" or lowest tier price brand. To accomplish lowest price parity on the Doral brand, it is agreed that:

- (a) In connection with Store purchases of the Doral brand, RJRT shall contribute up to \$2.00 per carton to be used for the price reduction of the Doral brand, below tier two pricing, in order to achieve lowest price parity with the Premium Buy brand.
- (b) Where a third tier pricing level exists in a Store, the Doral brand and Southland's "Premium Buy" brand shall be priced at the lowest price tier and only the Doral brand and Premium Buy brand shall be featured via the OPM pricing information panel in each Store at Southland's expense.
- (c) For any price reduction designed to achieve price parity for the Doral brand with the Premium Buy brand, Southland shall provide EDI documentation acceptable to RJRT of the Stores' Doral brand purchases through McLane Company, Inc.
- (d) If a lowest tier brand is any brand other than Premium Buy, it shall be the responsibility of RJRT and the individual Store to agree on acceptable documentation necessary to calculate the Doral \$2.00 per carton payment.

6.08 The Doral brand lowest price parity provisions set forth in section 6.07 of this Agreement is for the calendar year 1995 and renewable each year thereafter, at RJRT's discretion, for the remaining term of this Agreement. In the event that RJRT does not renew the pricing parity provisions of section 6.06 of this Agreement, then the pricing parity requirements shall terminate as to Participating Stores.

7. Display and Merchandising Payment.

7.01 If the RJRT requirements set forth in sections 5 and 6 are met, each Participating Store shall earn Two Hundred Fifty Dollars (\$250.00) each month as a display and merchandising payment (the "Payment"). The Payments shall be made quarterly by RJRT to Southland on behalf of all Participating Stores by the 15th day of the month following the qualifying quarter. Stores qualifying to receive the Payment on or before the 15th day of a month shall be deemed to have qualified for the Payment on the first day of that month. Stores qualifying to receive the Payment after the 15th day of a month shall be deemed to have qualified for the Payment on the first day of the next month.

8. Payment Disqualification.

8.01 To be eligible to receive the Payment each month, a Store shall comply with all the provisions of sections 5 and 6 of this Agreement. Any act of noncompliance under sections 5 and 6 of this Agreement, at any time during a month, may disqualify a Store for the Payment for that month, in RJRT's sole discretion.

9. Permanent Disqualification From Program.

9.01 Certain actions by a Store shall, at the sole discretion of RJRT, disqualify the Store from further participation in the Program in which case this Agreement, as it relates to the disqualified Store, shall be terminated. RJRT grounds for permanent disqualification are:

- (a) Removal of one or both FPD's from their position in front of the cash register and wrapped to the customer side of the designated cash register and the refusal or failure by the Store to restore the FPD to that position after verbal notice to the Store by RJRT with written notice provided to the appropriate Southland division office.
- (b) Placement of non-RJRT signage in those locations reserved for RJRT signage and the refusal or failure by the Store to restore RJRT signage to those locations after verbal notice to the Store by RJRT with written notice provided to the appropriate Southland division office.
- (c) Persistent, defined as on four or more occasions in a twelve-month period, placement of non-RJRT product in the two FPD's reserved for RJRT product.

- (d) Failure to maintain the Clock Sign at its agreed location and the refusal or failure by the Store to restore it to that location after verbal notice to the Store by RJRT with written notice provided to the appropriate Southland division office.
- (e) Alteration of a Store layout so as to materially detract from the prominence of RJRT signage and product and the refusal or failure by the Store to restore the layout after verbal notice to the Store by RJRT with written notice to the appropriate Southland division office.
- (f) In RJRT's reasonable judgment, reduction of RJRT's share of permanent or temporary Displays and Advertising to less than one-half (1/2) of total permanent or temporary Displays and Advertising and the refusal or failure by the Store to maintain RJRT's position after verbal notice to the Store by RJRT with written notice to the appropriate Southland division office.
- (g) Placement of permanent or temporary Savings Brand Displays or Advertising in the Store and the refusal or failure by the Store to remove Savings Brand Displays or Advertising after verbal notice to the Store by RJRT with written notice to the appropriate Southland division office.
- (h) Failure to provide price communication on the Doral brand at the appropriate price tier pursuant to section 6.06 and the refusal or failure by the Store to communicate this information after verbal notice to the Store by RJRT with written notice to the appropriate Southland division office.

10. Term.

10.01 This Agreement shall begin on the Effective Date and shall end on June 30, 1997.

11. Reimbursement for FPD's.

11.01 If a Participating Store is permanently disqualified from the Program, pursuant to section 9, at any time prior to the completion of the first two (2) years of this Agreement, Southland shall reimburse RJRT for the actual cost of the FPD's that are removed from the disqualified Store(s) by RJRT.

12. Right of First Refusal.

12.01 Commencing ninety (90) days prior to the conclusion of this Agreement, RJRT shall have the right to negotiate with Southland for a one year extension of the Agreement. If these negotiations do not result in a new agreement prior to the conclusion of this Agreement, then in that event for a period of three (3) months thereafter, RJRT shall have the right to match any competitive cigarette manufacturer's bona fide new offer for display and merchandising and by so doing enter into a new agreement with Southland for a period of one (1) year. Except for duration, which shall be one (1) year, the new agreement shall meet all other essential terms of the competitive offer.

13. Force Majeure.

13.01 If during the term of this Agreement governmental laws or regulations are enacted that forbid the merchandising and display activity contemplated in this Agreement in one or more Participating Stores, such activity shall cease in the affected Stores and those Stores so affected shall no longer be eligible to receive or earn the Payment set forth in section 7.

14. Notice.

14.01 The parties specify the following addresses and representatives for the purpose of receiving any notices required by or contemplated under the terms of this Agreement. Either party may change its address and agent by notifying the other party in writing of the change.

If to RJRT:

R.J. Reynolds Tobacco Company
Attn: Vice President,
Trade Marketing
401 North Main Street
Winston-Salem, NC 27102

with a copy to:

R.J. Reynolds Tobacco Company
Attn: Legal Department
401 North Main Street
Winston-Salem, NC 27102

If to Southland:

The Southland Corporation
Attn: Senior Vice President,
Merchandising
2711 North Haskell Avenue
Dallas, TX 75204

with a copy to:

The Southland Corporation
Attn: Legal Department
2711 North Haskell Avenue
Dallas, TX 75204

15. RJRT Right to Audit Stores.

15.01 Southland and Participating Stores grant RJRT representatives the right to conduct audits of each Participating Store's compliance under the Program during normal business hours provided such audits do not interfere with normal business operations.

R.J. REYNOLDS TOBACCO COMPANY

George Achinger
Title: Vice President - Trade Development

Attest:

Thomas R. Henner
Assistant Secretary

THE SOUTHLAND CORPORATION

By: Michael A. Poerner
Senior Vice President

TRHCON453

51855 1127

EXHIBIT A

CIGARETTE DISPLAY AND MERCHANDISING AGREEMENT
FRANCHISEE PARTICIPATION FORM

1. R.J. Reynolds Tobacco Company ("RJRT") and The Southland Corporation ("Southland") have entered into an agreement wherein RJRT shall provide to 7-Eleven corporate owned and operated stores display and merchandising payments of \$250.00 per month if certain RJRT display and merchandising requirements are met (the "Program").
2. You may also wish to participate in the Program. The general RJRT requirements include reserving two permanent full price counter displays at the store; an RJRT approved illuminated sign with clock; and certain other cigarette merchandising requirements. The specific Program requirements are more fully described in the Cigarette Display and Merchandising Agreement (the "Agreement") attached as Exhibit 1.
3. The display and merchandising payments for all participating 7-Eleven stores, including any franchised stores, shall be paid to Southland on a quarterly basis. All Program payments received by Southland from RJRT shall be distributed to all qualifying 7-Eleven stores, including participating franchised stores.
4. By executing this Franchisee Participation Form, you hereby agree to the applicable Program terms and conditions contained in the Agreement. RJRT shall solely determine compliance under the Program, and shall be solely responsible for disqualifying participating stores from the Program including your store.
5. RJRT and Southland recognize that franchisees are independent contractors who determine the manner and means of operating their 7-Eleven franchises pursuant to the terms of the franchise agreement and, as such, solely determine whether to participate in the Program.

IF YOU WISH TO PARTICIPATE IN THE PROGRAM, YOU MUST SIGN IN THE SPACE PROVIDED BELOW AND RETURN THIS FORM TO YOUR FIELD CONSULTANT NO LATER THAN APRIL 1, 1995.

Franchisee
Printed Name: _____
Date: _____

7-Eleven Store No. _____
Store
Address: _____

Division # _____

51855 1128

SOUTHLAND NEW CONTRACT

TYPE	PLAN	RATE
1BASE2	711	\$250.00

51855 1129